

Message Text

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PAGE 01 LONDON 11468 131911Z

ACTION EB-07

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-07 NEA-10 IO-13

ISO-00 AGRE-00 COME-00 TRSE-00 CIAE-00 INR-07

NSAE-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06

AID-05 LAB-04 OIC-02 EPG-02 SIL-01 STR-04 CEA-01

/112 W

-----040158 131913Z /43/64

R 121741Z JUL 77

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6027

INFO AMEMBASSY BRUSSELS

AMEMBASSY MANILA

AMEMBASSY TOKYO

AMEMBASSY BANGKOK

AMEMBASSY BRASILIA

AMEMBASSY BUENOS AIRES

AMEMBASSY CAIRO

AMEMBASSY CANBERRA

AMCONSUL DURBAN

AMEMBASSY GEORGETOWN

USMISSION GENEVA

AMEMBASSY GUATEMALA

AMEMBASSY MOSCOW

AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY PORT LOUIS

AMEMBASSY PRETORIA

AMCONSUL RIO DE JANEIRO

AMEMBASSY SANTO DOMINGO

AMEMBASSY SUVA

AMEMBASSY MBABANE

AMEMBASSY MEXICO

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PAGE 02 LONDON 11468 131911Z

C O R R E C T E D C O P Y - CORRECTION TO PARA (E) AND ALSO

SIGNATURE

USOECD

USEEC

FOR: EB/TRP - MR. TOM O'DONNELL

E.O. 11652: N/A

TAGS: EPAP ETRD ISO

SUBJECT: SUGAR -- U.S. PLAN FOR STOCKHOLDING AND
FINANCING

REF: LONDON 11373

1. EMBOFF MET BARNES (SOUTH AFRICA), BOULLE (MAURITIUS) AND DOWLING (FIJI) TO DISCUSS U.S. STOCK PLAN. REACTION OF ALL THREE WAS FAVORABLE. WITH DOWLING AND BOULLE, IN PARTICULAR EXPRESSING GRATIFICATION FOR SENSITIVITY OF PROPOSAL TO CONCERNS OF EXPORTERS. ALL HAD QUESTIONS AND AS IN CASE WITH KHANNA (INDIA) LAST WEEK, WILL PUT ON THINKING CAPS TO PROBE FOR WEAKNESS AND AREAS FOR EVEN GREATER ADVANTAGE. CONSENSUS SEEMED TO BE, HOWEVER, THAT U.S. PLAN MIGHT SERVE AS BASIS FOR AGREEMENT AMONG SEVERAL OF MORE IMPORTANT COUNTRIES' WITH HOLDOUTS SUCH AS CUBA PUT UNDER STRONG PRESSURE TO CONFORM EVENTUALLY.

2. MAJOR QUESTIONS OF DETAIL WERE:

(A) DEFINITION OF CARRYING COST--BARNES MAINTAINED FINANCING COSTS ELEMENT OF SUGAR STOCK PURCHASES SHOULD LIMITED OFFICIAL USE

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PAGE 03 LONDON 11468 131911Z

BE COVERED (I.E., PRICE GOVERNMENTS WOULD PAY FARMERS FOR THE SUGAR). HE THOUGHT THIS WOULD ADD UP TO AN ADDITION OF ONE CENT SINCE FARMER PRICE SHOULD BE AT FLOOR PRICE (BOULLE SAID FIVE PERCENT IMF FINANCING WOULD BRING SUCH ADDITIONAL COST DOWN).

(B) CASH FLOW PROBLEM AT BEGINNING OF SEPTEMBER; BOULLE SUGGESTED THIS COULD BE A MINOR PROBLEM UNTIL FUNDS ACCUMULATED UNDER FEE SYSTEM.

(C) VERIFICATION--ALL AGREED CUBA PRESENTED A PROBLEM AND POLICING IN MANY CASES WOULD BE DIFFICULT. BOULLE SUGGESTED CARRYOVER VERIFICATION (A LA COFFEE) AS MOST EFFECTIVE SYSTEM.

(D) PHASING--BARNES NOTED NEED FOR CONSTRUCTING NEW FACILITIES IN MANY COUNTRIES WAS CLOSELY RELATED TO PHASING IN OF STOCK OBLIGATION. HE SUGGESTS MIGHT BE BETTER TO PHASE IN AT SLOWER RATE.

E. LDCS--ALL THOUGH VERY SMALL EXPORTERS SHOULD RECEIVE RELIEF FROM STOCKING OBLIGATION AND THAT SMALL LDC

IMPORTERS MIGHT BE EXEMPT FROM FEE OBLIGATION (MORE ON
THEORY THAT THEY WOULD NEVER GET THE HANG OF THE THING
THAN ON THE BURDEN THE FEE WOULD ENTAIL FOR THEM).
BREWSTER

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Disposition Approved on Date:
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Disposition Remarks:
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